US Estate Tax Rules for Indian Investors: Limits, Rates & Exemptions

Investing in U.S. stocks, ETFs, and other American assets has become increasingly popular among Indian investors. While investors often focus on capital gains, dividends, and currency movements, there is another important issue that can affect long-term U.S. investments: **U.S. estate tax**.

For an Indian investor who is neither a U.S. citizen nor a U.S. domiciliary, U.S. estate tax rules can be significantly different from the rules applicable to U.S. citizens and residents.

This guide explains the key U.S. estate tax rules for Indian investors, including the **$60,000 threshold, applicable tax rates, U.S.-situated assets, exemptions, filing requirements, and practical considerations**.

> **Important:** This article is for educational purposes only and should not be treated as legal, tax, or investment advice. Cross-border estate-tax rules can depend on an individual's citizenship, domicile, asset structure, and applicable treaties. Investors should consult a qualified tax professional before making decisions.

What Is U.S. Estate Tax?

U.S. estate tax is a federal tax imposed on the transfer of certain assets from a deceased person to their beneficiaries or estate.

The rules depend heavily on whether the deceased person was:

- A U.S. citizen
- A U.S. resident/domiciliary
- A nonresident and noncitizen of the U.S.

For a nonresident who is not a U.S. citizen (often referred to as an **NRNC**), U.S. estate tax generally applies to certain **U.S.-situated assets**, rather than the person's entire worldwide estate.

This distinction is particularly important for Indian investors who hold U.S. stocks or other American assets while continuing to live in India.

Do Indian Investors Have to Pay U.S. Estate Tax?

Potentially, yes.

Being an Indian citizen or Indian tax resident does **not automatically exempt an investor from U.S. estate tax**.

For an Indian resident who is neither a U.S. citizen nor domiciled in the U.S., certain U.S.-situated assets can be included in the U.S. taxable estate.

The IRS specifically identifies **stock of corporations organized under U.S. law** as U.S.-situated property. Therefore, directly holding shares of U.S. companies can create U.S. estate-tax exposure.

For example, if an Indian investor directly owns shares of U.S.-incorporated companies such as Apple, Microsoft, Amazon, or other U.S. corporations, those shares may be considered U.S.-situated assets for estate-tax purposes.

The $60,000 Threshold for Nonresident Noncitizens

One of the most important numbers for Indian investors to understand is **$60,000**.

For a nonresident who is not a U.S. citizen, if the fair market value of the person's U.S.-situated assets, together with applicable adjusted taxable gifts, exceeds **$60,000**, an estate tax return, **Form 706-NA**, generally must be filed.

Importantly, this $60,000 figure is **not the same thing as saying that the first $60,000 is automatically tax-free**.

The $60,000 amount is primarily the statutory filing threshold applicable to an NRNC estate. The actual estate-tax calculation can involve the gross U.S. estate, deductions, credits, treaty provisions, and other factors.

The IRS also states that this $60,000 filing threshold is **not indexed for inflation**.

What Happens Above $60,000?

Suppose an Indian investor who is a nonresident noncitizen of the U.S. dies while directly holding:

- U.S. stocks worth $100,000
- No U.S. real estate
- No other relevant U.S.-situated property

Because the U.S.-situated assets exceed $60,000, the estate may have a **Form 706-NA filing requirement**.

That does not automatically mean the estate will owe tax on the entire $100,000. The estate-tax computation is more complicated and can involve deductions, credits, and applicable treaty provisions.

This distinction between **filing requirement** and **actual tax liability** is extremely important.

What Assets Can Be Subject to U.S. Estate Tax?

For an Indian investor, potentially relevant U.S.-situated assets can include:

1. U.S. Stocks

Stock issued by corporations organized under U.S. law can generally be treated as U.S.-situated property for an NRNC investor.

This means directly holding U.S. shares can create estate-tax exposure even when:

- The investor lives in India
- The brokerage account is outside the U.S.
- The investor is an Indian citizen
- The investor does not have a U.S. residence

The location of the brokerage account alone does not necessarily determine the situs of the underlying asset.

2. U.S. Real Estate

Real estate physically located in the United States can be included in the U.S. estate of an NRNC.

For example, an Indian investor owning a U.S. apartment or commercial property may have U.S. estate-tax exposure.

3. Certain Business Interests

Certain interests connected with a U.S. trade or business can also be relevant when calculating the U.S.-situated gross estate.

4. Certain Debt Obligations and Other Property

U.S. debt obligations and other forms of property can have specific situs rules. However, not every financial asset connected with the U.S. is necessarily treated identically.

For example, the IRS identifies certain bank deposits and debt obligations as potentially being treated as situated outside the United States under specific rules.

Therefore, investors should not assume that all U.S.-linked investments receive the same estate-tax treatment.

What Is the U.S. Estate Tax Rate?

The federal U.S. estate-tax system uses progressive rates, with the **maximum estate-tax rate generally reaching 40%**.

However, Indian investors should be careful when interpreting the 40% figure.

The applicable tax is not simply:

U.S. assets × 40%

Instead, the estate-tax calculation can involve:

1. Determining the U.S.-situated gross estate
2. Adding relevant adjusted taxable gifts
3. Applying allowable deductions
4. Calculating the tentative estate tax
5. Applying available credits
6. Considering treaty provisions where applicable

The final liability can therefore differ significantly from a simple 40% calculation.

Why the $15 Million U.S. Exemption Can Be Misleading for Indian Investors

You may see articles stating that the U.S. federal estate-tax exemption is **$15 million in 2026**.

That figure is correct for the basic exclusion amount applicable under the general U.S. estate-tax rules for 2026.

However, **Indian investors who are nonresident noncitizens generally should not assume that they automatically receive the full $15 million exclusion**.

The $15 million basic exclusion amount applies to the general U.S. citizen/resident estate-tax regime. NRNC estates have a substantially different statutory framework, including the $60,000 filing threshold.

This is one of the most important differences investors need to understand.

Indian Investors vs U.S. Citizens: Key Difference

Factor	Indian NRNC Investor	U.S. Citizen/Resident
Worldwide assets generally considered?	No; generally U.S.-situated assets are the focus	Yes
U.S. stock exposure	Can be subject to estate tax	Included in worldwide estate
General 2026 basic exclusion amount	Not automatically the $15M exclusion	$15 million
NRNC filing threshold	$60,000 of relevant U.S.-situated assets, subject to rules	$15 million filing threshold for 2026
Estate-tax return	Form 706-NA	Form 706
Treaty considerations	May apply depending on circumstances	Different rules may apply

The IRS specifically distinguishes between Form 706 for U.S. citizens/residents and Form 706-NA for nonresident noncitizens.

Is There a U.S.-India Estate Tax Treaty?

This is an area where investors should be particularly cautious.

The IRS maintains information on U.S. estate and gift tax treaties, and treaties can sometimes provide more favorable treatment to nonresident investors by modifying how assets are treated or how credits and deductions operate.

However, investors should **not assume that a particular U.S.-India treaty provision eliminates U.S. estate tax on U.S. investments**.

The availability and application of treaty relief depend on the investor's specific circumstances and the relevant provisions in force.

A cross-border tax adviser should therefore review treaty eligibility before an investor relies on treaty-based relief.

What Is Form 706-NA?

Form 706-NA is the U.S. estate tax return used for the estate of a nonresident who was not a U.S. citizen.

The form is used to calculate potential U.S. estate and generation-skipping transfer tax liability for an NRNC decedent.

Generally, when an NRNC has U.S.-situated assets above the applicable filing threshold, the executor may need to file Form 706-NA.

The IRS states that the return is generally due **nine months after the date of death**, although an extension can be requested using Form 4768.

Example: Indian Investor Holding U.S. Stocks

Consider an Indian resident who is neither a U.S. citizen nor domiciled in the United States.

Suppose the investor directly owns:

- U.S. stocks: $150,000
- Indian mutual funds: $100,000
- Indian bank deposits: $50,000
- Indian real estate: $200,000

For U.S. estate-tax purposes, the U.S. rules for an NRNC generally focus on the assets considered situated in the United States.

The $150,000 of directly held U.S. corporate stock may therefore be relevant to the U.S. estate-tax calculation.

The investor's Indian assets are generally outside the scope of the U.S.-situated gross estate under the NRNC framework, although worldwide assets may be relevant for certain calculations and documentation.

Because the U.S.-situated assets exceed $60,000, the estate may have a Form 706-NA filing requirement.

The actual amount of estate tax, if any, would require a detailed calculation.

Estate Tax vs Capital Gains Tax

U.S. estate tax should not be confused with capital gains tax.

Capital Gains Tax

Capital gains tax generally relates to the profit earned when an investment is sold.

For example:

Purchase price: $50,000
Sale price: $80,000
Capital gain: $30,000

Estate Tax

Estate tax is associated with the transfer of assets after death.

An investor could therefore face two completely different tax considerations:

During life:
Investment income and gains

After death:
Potential estate tax on qualifying U.S.-situated assets

Estate planning should consider both separately.

Are ETFs and Mutual Funds Treated the Same as U.S. Stocks?

Not necessarily.

The estate-tax treatment depends on the legal structure and domicile of the investment.

For example, there can be an important distinction between:

- Direct shares of a U.S.-incorporated company
- A U.S.-domiciled ETF
- A non-U.S.-domiciled fund
- An Indian mutual fund investing internationally
- Other pooled investment structures

The tax treatment can depend on the legal entity issuing the investment and applicable situs rules.

Therefore, investors should not assume that every investment giving exposure to the U.S. market has identical estate-tax consequences.

What Exemptions or Deductions May Be Available?

The estate-tax calculation can allow certain deductions and credits depending on the facts.

The IRS notes that deductions may include certain:

- Funeral expenses
- Estate administration expenses
- Claims against the estate
- Unpaid mortgages and liens
- Certain uncompensated losses

Additional rules and limitations can apply to marital and charitable deductions.

For an NRNC estate, these deductions should be reviewed carefully because the rules are not identical to those applicable to a U.S. citizen's estate.

Can the Spouse's Exemption Be Used?

Another important difference is **portability**.

Under the general U.S. estate-tax system, a surviving spouse can potentially benefit from a deceased spouse's unused exclusion through a portability election.

However, the IRS states that an executor of an estate belonging to a nonresident noncitizen **cannot make a portability election for the deceased spousal unused exclusion (DSUE)**.

This can make estate planning particularly important for international families.

What Should Indian Investors Do?

Indian investors holding significant U.S. assets should consider the following steps.

1. Identify U.S.-Situs Assets

Create a complete list of U.S.-linked investments and determine which assets may be treated as U.S.-situated property.

2. Check the Legal Structure

Do not evaluate an investment only by its underlying exposure.

Check whether you own:

- Individual U.S. shares
- U.S.-domiciled ETFs
- Non-U.S. funds
- Other investment vehicles

The legal structure can influence the estate-tax analysis.

3. Monitor Portfolio Size

The $60,000 NRNC filing threshold is an important number to understand.

Investors whose U.S.-situated assets exceed this amount should discuss the potential filing and tax consequences with a qualified adviser.

4. Review Estate Planning Documents

Investors should ensure that their:

- Will
- Nomination arrangements
- Power of attorney
- Investment account information
- Beneficiary information

are properly organized.

5. Consult Cross-Border Tax Professionals

U.S. estate tax and Indian tax rules can interact in complex ways.

A professional familiar with both **Indian and U.S. taxation** can help evaluate the investor's specific circumstances.

Frequently Asked Questions

1. Is there a $60,000 U.S. estate-tax limit for Indian investors?

The $60,000 figure is generally the filing threshold for an estate of a nonresident noncitizen with U.S.-situated assets, subject to applicable rules. It should not automatically be interpreted as a $60,000 tax exemption.

2. Does the $15 million U.S. exemption apply to Indian investors?

Not automatically. The $15 million basic exclusion amount is the 2026 amount under the general U.S. estate-tax regime for citizens and residents. NRNC estates are subject to different rules.

3. Are U.S. stocks owned by an Indian resident subject to U.S. estate tax?

They can be. The IRS generally treats stock of corporations organized under U.S. law as U.S.-situated property for an NRNC.

4. What form is required for an Indian investor's U.S. estate?

Where the filing requirement applies to an NRNC estate, the relevant return is generally **Form 706-NA**.

5. When is Form 706-NA due?

The IRS states that Form 706-NA is generally due within **nine months after the date of death**, subject to extension rules.

Final Takeaway

For Indian investors, U.S. estate tax is an important consideration when building a substantial portfolio of U.S. assets.

The key points to remember are:

- **$60,000** is the important NRNC filing threshold for U.S.-situated assets.
- Directly owned U.S. corporate stock can be treated as U.S.-situated property.
- The **$15 million 2026 basic exclusion amount** should not be assumed to apply automatically to Indian NRNC investors.
- Estate tax can have a maximum federal rate of **40%**, but the actual calculation depends on deductions, credits, and other rules.
- **Form 706-NA** may be required when the filing threshold is exceeded.
- Treaty provisions and the legal structure of investments can materially affect the outcome.
- Estate tax is different from capital gains tax and should be considered separately.

For Indian investors with significant U.S. investments, estate-tax planning should be considered **before** the portfolio becomes large enough to create an unexpected cross-border tax problem.

Tax laws and regulations can change. This article reflects general U.S. federal estate-tax rules available for 2026 and is intended for educational purposes. Investors should obtain professional advice based on their individual citizenship, domicile, investment structure, family circumstances, and applicable Indian and U.S. tax rules.